



HF 675 – Mechanics Liens (LSB 2236HZ)

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Fiscal Note Version – New

Description

House File 675 relates to mechanics liens and the establishment of a State Construction Registry (SCR) for residential construction property.

The SCR is a centralized internet database maintained by the Office of the Secretary of State (SOS) that provides a central repository for the submission and management of preliminary notices and notices of commencement of work on all residential construction properties. The Bill requires a general contractor or owner-builder to submit a notice to the SOS or post a notice to the Registry to establish a mechanics lien. The SCR is required to be a publicly accessible centralized electronic database created and maintained by the Secretary of State.

The Secretary of State is required to adopt rules for the creation and administration of the SCR. Fees for mechanics liens, preliminary notice filings, and notice of commencement are to be set by rule. The SCR is to be funded through the collection of fees deposited in the State Construction Registry Fund created within the SOS. The Bill eliminates the requirement that the clerk of court make an abstract of a claim for a mechanics lien and requires the SOS to record the date and hour of filing of a claim for a mechanics lien and to index every claim.

The Bill takes effect July 1, 2012.

Background

In FY 2010, 2,700 mechanics liens were filed with county clerk of court offices within the Judicial Branch. The fee to file a lien is \$50. The fee revenue is transferred directly to the General Fund. No funds are retained by the Judicial Branch for administrative costs. In FY 2010, approximately \$137,000 was collected in fees and transferred to the General Fund.

Assumptions

- The SOS will charge the following fees: \$30 for each mechanics lien filed, \$7 for preliminary notice filings, and \$10 for notice of commencement filings.
- The number of mechanics liens filed will decrease by 30.0% due to the efficiency of having an SCR providing improved notice access. The number of mechanics liens filed from FY 2007 through FY 2010 was significantly higher due to poor economic conditions and a number of large general contractors in the State suddenly ending business operations. Fewer liens are expected in future years.

Fiscal Impact

The Secretary of State will collect approximately \$201,000 in revenue for FY 2013 and \$208,000 in FY 2014. The revenue collected will fund the creation of the SCR including hardware, software, and information technology support. The SOS has indicated that 1.5 FTE positions will be required to operate the SCR.

House File 675 will not have an impact on the courts. There is no fiscal impact in FY 2012. Beginning in FY 2013 and subsequent fiscal years, General Fund revenue will decrease by an estimated \$125,000 per year.

Sources

Secretary of State
Judicial Branch
Iowa Finance Authority, Title Guaranty Division

April 13, 2011

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the correctional and minority impact statements were prepared pursuant to Code [Section 2.56](#). Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
